

NEW APPLICATION



0000106635

BEFORE THE ARIZONA CORPORATION COMMISSION AZ CORP COMMISSION

SEP 15 8 53 AM '98

JIM IRVIN

Commissioner - Chairman

RENZ D. JENNINGS

Commissioner

CARL J. KUNASEK

Commissioner

DOCUMENT CONTROL

DOCKET NO.

E - 01933A - 98 - 0516

IN THE MATTER OF TUCSON ELECTRIC)
POWER COMPANY'S RESIDENTIAL PHASE-IN)
PROGRAM PROPOSAL PURSUANT TO A.A.C.)
R14-2-1604.B.4)

DOCKET NO. _____


NOTICE OF FILING

Pursuant to A.A.C. R14-2-1604.B.4, Tucson Electric Power Company hereby submits its Residential Phase-In Program Proposal.

RESPECTFULLY SUBMITTED this 15th day of September, 1998.

TUCSON ELECTRIC POWER COMPANY

By:


Bradley S. Carroll
Counsel, Regulatory Affairs
Legal Department - DB203
220 West Sixth Street - P.O. Box 711
Tucson, Arizona 85702

Original and ten copies of the foregoing hand-delivered this 15th day of September, 1998, to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

SEP 15 1998

DOCKETED BY



1 **Copy of the foregoing hand-delivered**
2 **this 15th day of September, 1998, to:**

3 Ray Williamson, Acting Director
4 Utilities Division
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007

7 **Copy of the foregoing mailed**
8 **this 15th day of September, 1998, to:**

9 Greg Patterson, Director
10 RUCO
11 2828 North Central Avenue, Suite 1200
12 Phoenix, Arizona 85004

12 Phyllis Rowe
13 Arizona Consumers Council
14 P.O. Box 1288
15 Phoenix, Arizona 85001

16
17 By: *Sandra Waters*
18 Sandra Waters
19 Secretary to Bradley S. Carroll
20
21
22
23
24
25
26
27
28
29
30

TUCSON ELECTRIC POWER COMPANY

RESIDENTIAL PHASE-IN PROGRAM PROPOSAL

Filed pursuant to A.A.C. R14-2-1604

INTRODUCTION

Pursuant to A.A.C. R14-2-1604, 20 percent of Tucson Electric Power Company's ("TEP" or "Company") 1995 system peak retail demand will be eligible for competitive generation supply on a first-come first-served basis on January 1, 1999. Included in this amount is a residential phase-in program consisting of $\frac{1}{2}$ of one percent of all residential customers which shall increase by $\frac{1}{2}$ of one percent each quarter until January 1, 2001 when all customers will be eligible for competitive generation supply.

Research and customer surveys indicate that customers have little awareness of retail electric competition. TEP's August 1997 Customer Satisfaction Survey results indicate that nearly 50 percent of TEP customers were learning of retail electric competition for the first time when they were asked a question on that topic during the survey. This will be used as the benchmark number on which to evaluate the Company's proposed education program. Additionally, recent amendments to the Commission's Electric Competition Rules require an extensive education process to fulfill the following objectives:

- Ensure that all customers are aware that they have options to choose their energy providers as a result of electric competition.
- Provide customers with information on the choices available.
- Inform customers of the processes in place to exercise their options.

A. Process for Customer Notification of Residential Phase-in Program (R14-2-1604.B.4.a.)

The breakdown of customers who will be eligible for direct access on January 1, 1999 requires an overall education plan designed to inform and educate all customers, including those who are not inclined to exercise their options to choose new energy providers.

TEP is implementing a communication plan that reaches out to the residential customer base. The Residential Phase-In Program is contemplated to begin with all TEP residential customers eligible for direct access, although the phase-in will allow only approximately 1,500 customers to exercise choice beginning January 1, 1999. The overall campaign will inform customers that they will have options available to them for energy providers. The scope of their options and the process for exercising their options will be in the collateral pieces available to each customer.

The blanket coverage is necessary due to the current plan to implement the Residential Phase-In Program on a first-come first-served basis. Every residential customer will have the opportunity to participate in direct access, although only approximately 1,500 will have the option at the start of phase-in.

The education plan and materials are as follows:

Phase I (August to mid-September)

- Frequently Asked Questions (FAQ) brochure: Shedding Light on Deregulation - Answers to Your Questions About Electric Competition - on deregulation and customer choice to be written, designed and to press by August 10, 1998. Information is in both English and Spanish. This brochure also contains a glossary of electric utility/direct access terms in English and Spanish.
- Teaser on bill envelope refers to deregulation information inside to begin the third week in August.
- Language on bills about customer choice to begin the third week in August through September 8, 1998.
- Bill stuffer to begin the third week in August. Customers can return the business reply card requesting FAQ brochure. Designed with both English and Spanish on same card.

Phase II (September through January)

- **Mass Media campaign** – begins September 7
 - Designed to make customers aware that choice is coming and they need to educate themselves on how to choose wisely. The campaign will encourage customers to watch their mail for more information and contact TEP for the FAQ brochure.
 - Television.
 - Newspaper – one full page ad to kick-start the campaign.
 - Radio.
- **One-time mailing of Expression of Interest card** – no later than November 30, 1998

Customers return the cards to be among the customers eligible to make Direct Access Service Requests (DASRs). The waiting list will be derived from the first 1,500 DASRs from Energy Service Providers (ESPs). Overflow DASRs will be placed on a waiting list.

Internet

- TEP's web site will be updated with FAQ brochure information suitable for downloading in English or Spanish.
- E-mail to request additional information.
- Glossary of electric utility/direct access terms in English and Spanish.

B. Selection and Tracking Mechanism for Customers Based on First-Come First-Served Method (R14-2-1604.B.4.b.)

1. All 300,000 residential customers will receive a simultaneous mailing from TEP, including tear-off *Expression of Interest Cards*. This mailing will go out no later than November 30, 1998.
2. The Direct Access Implementation Team (Team) will validate the *Expression of Interest Cards* to verify that the information is correct. The Team will maintain the list of customers expressing interest.
3. The list of interested customers will be posted on a web site, to which only ESPs that are certified by the Commission will be given access. ESPs can market to these customers.
4. DASRs received from ESPs will be processed, and customers will be switched to the new ESP, to take effect on the customer's meter read date or when a new meter is installed.
5. If more than 1,500 DASRs are received, those above 1,500 will be notified that their requests have been processed to take effect on the first day of the following quarter, unless they notify TEP they wish to rescind their request.

Below is a sample letter to customers who are placed on the waiting list:

Dear [Customer]:

Your request for Direct Access to a new Energy Service Provider has been received and processed. However, the limit of 1,500 customers per quarter has been reached.

Therefore, your account will be automatically transferred to your new Energy Service Provider as of ____ [date of day one, next quarter] unless you formally notify Tucson Electric Power Company that you wish to rescind your request.

Sincerely,

Below is a sample *Expression of Interest Card* (final card will be printed in English and Spanish):

<i>Expression of Interest Card</i>		
Please PRINT information below:		
Yes. I would like to consider using an alternative energy service provider.		
Name (customer of record) _____		
Service Address _____		Zip _____
TEP Account number _____		Phone _____
Please indicate Y (yes) or N (no) in the blanks provided below:		
_____ You have my permission to provide my name & address to Energy Service Providers. *		
_____ You have my permission to share my home phone # with ESPs.		
* (If no, you may obtain a list of Energy Service Providers from the Arizona Corporation Commission. Call Toll Free: 1-800-222-7000)		
Signature _____		Date _____
<div style="border: 1px solid black; padding: 2px; text-align: center;"><i>Office Use Only</i></div>		
Date received _____		Validated by _____ Load profile _____

C. Other Education and Information Services to be Offered (R14-2-1604.B.4.c.)

Employee Training

TEP's Public Affairs Department will execute an employee training program designed to ensure front-line employees can communicate deregulation issues to customers in a factual and helpful manner. Training will include face-to-face information supported by printed material and resource manuals.

Employees in the field will be supplied with customer information materials to be handed out to customers with whom field crews interact on a daily basis.

1. Customer Service Representatives ("CSRs"):

- Level I: All CSRs will receive general training.
- Level II: A core group of CSRs will be trained to answer more in-depth questions.
- All CSRs will receive at least Level I training prior to January 1, 1999.

2. Field Crews:

- All field crews will be provided Level I training prior to January 1, 1999.
- All field crews will receive a packet of all promotional materials to have available in their vehicles to distribute to customers. Materials will be provided in a plastic folder.
- Field crews include, but are not limited to:
 - Linemen
 - Meter Readers
 - Collectors
 - Auditors

3. Administrative Assistants:

- Administrative Assistants play a key role in the communication process.
- Administrative Assistants will receive Level I training prior to January 1, 1999.
- Administrative Assistants must ensure communication materials are distributed to employees in their work areas.

4. Direct Access Implementation Team:

- Selected employees who will receive training on processing of DASRs.
- These employees will be trained to communicate with ESPs in the processing of such requests.
- Employees will be trained to provide assistance to all CSRs to respond to customers who are in the process of switching providers.

These employees will be trained to communicate with ESPs in the processing of such requests. Employees will be trained to provide assistance to all CSRs to respond to customers who are in the process of switching providers.

Employee Education

1. TEP Currents and TEP Bulletins:

- *TEP Currents* and TEP Bulletins will be the main channels of communication to employees.
- *TEP Currents* and TEP Bulletins will now be individually labeled to all employees.
- Managers and supervisors will be notified about important communication pieces prior to dissemination to all employees.

2. Printed Materials:

- All CSRs and field crews will receive any and all external communication pieces. CSRs and field crews need to become familiar with these materials.
- All Company vehicles will have a folder with printed materials to distribute to customers.

3. Internet/Intranet:

- FAQs.
- E-mail to request additional information.
- Glossary of electric utility/direct access terms.
- Continue to utilize Web as materials are developed.
- Intranet scheduled for a September 21, 1998 rollout.
- All employees with a computer will have access to the Intranet.
- All employees will have access to "tucsonelectric.com" and "unisourceelectric.com."

D. Load Profiling Methodology (A.A.C. R14-2-1604.B.4.d.)

TEP is preparing residential load profiles based on seasonal usage. The load profiles will be "dynamic" (*i.e.*, they will reflect usage during the time-frame in question). Data for TEP's dynamic load profiling is not presently available. TEP will attempt to gather the information by meters that can measure energy use on a 15-minute interval basis. This data is then transferred to TEP over the customers' phone lines. TEP has now selected a random sample of load profile customers, and is contacting these customers to explain the program and obtain customer approval to transmit data over the phone lines.

E. Method for Calculation of Reserved Load (R14-2-1604.B.4.e.)

TEP's methodology for calculating reserved load is to multiply ½ of one percent of the total number of residential customers by the average residential demand. For example, if we assume residential customers total 300,000, and the average residential demand is 2kW, then reserved load is calculated as follows:

$$.5\% * 300,000 \text{ customers} * 2 \text{ kW} = 3,000 \text{ kW}.$$

In the above example, approximately 3,000kW will be reserved for residential customers, since it translates to ½ of one percent of total residential customers, or 1,500 customers. As customers sign up for direct access, TEP will tabulate how many customers have done so during the quarter, and when the total reaches 1,500, TEP will allow no additional customers to sign up until the beginning of the next quarter. At the start of the next quarter, the number of residential customers, and therefore the residential load, reserved for direct access will increase by ½ of one percentage point.